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Introduction
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Capital Flight Repatriation: Investigation of its Potential Gains for Sub-Saharan African Countries
Hippolyte Fofack and Léonce Ndikumana

*Résumé***:** L'article analyse empiriquement les liens développement financier (DF)-croissance économique, et développement financier-productivité globale des facteurs (PGF) en Afrique Sub-saharienne. L'étude est basée sur une approche VAR: tests de cointégration de Johansen et modèles à correction d'erreurs. L'échantillon comprend 22 pays et porte sur la période 1960–2002. Les résultats suggèrent que le DF et la croissance, et le DF et la PGF sont cointégrés, dans plusieurs pays. De plus, dans plusieurs cas, la relation entre le DF et la croissance est caractérisée par une causalité bidirectionnelle au sens de Granger, alors que la relation entre le DF et la PGF est caractérisée par une causalité unidirectionnelle allant du DF vers la PGF. Il apparaît, à quelques exceptions près, que le développement financier stimule la croissance dans les pays où cette croissance est soutenue par le progrès technique. L'implication de nos résultats est que toute mesure qui stimule le développement financier, va stimuler la croissance économique à travers l'accélération du progrès technique.

Abstract: Despite the substantial recent increase in capital flows to sub-Saharan Africa (SSA), the sub-continent remains largely marginalized in financial globalization and chronically dependent on official development aid. The current debate on resource mobilization for development financing in Africa has overlooked the problem of capital flight, which constitutes an important untapped source of funds. This paper argues that repatriation of flight capital deserves more attention on economic as well as moral grounds. On the moral side, the argument is that a large proportion of the capital flight legitimately belongs to the African people and therefore must be restituted to the legitimate claimants. The economic argument is that repatriation of flight capital will contribute to propelling the sub-continent on a higher sustainable growth path while preserving its financial stability and independence and without mortgaging the welfare of its future generations through external borrowing. The anticipated gains from capital repatriation are large. In particular, this paper estimates that if only a quarter of the stock of capital flight was repatriated to SSA, the sub-continent would go from trailing to leading other developing regions in terms of domestic investment. The paper proposes some strategies for inducing capital flight repatriation, but cautions that the success of this program is contingent on a strong political will on the part of African and Western

governments and effective coordination and cooperation at the global level.

Développement financier, croissance économique et productivité globale des facteurs en Afrique Sub-saharienne*

Brou Emmanuel Aka

Résumé: L'article analyse empiriquement les liens développement financier (DF)-croissance économique, et développement financier-productivité globale des facteurs (PGF) en Afrique Sub-saharienne. L'étude est basée sur une approche VAR: tests de cointégration de Johansen et modèles à correction d'erreurs. L'échantillon comprend 22 pays et porte sur la période 1960–2002. Les résultats suggèrent que le DF et la croissance, et le DF et la PGF sont cointégrés, dans plusieurs pays. De plus, dans plusieurs cas, la relation entre le DF et la croissance est caractérisée par une causalité bidirectionnelle au sens de Granger, alors que la relation entre le DF et la PGF est caractérisée par une causalité unidirectionnelle allant du DF vers la PGF. Il apparaît, à quelques exceptions près, que le développement financier stimule la croissance dans les pays où cette croissance est soutenue par le progrès technique. L'implication de nos résultats est que toute mesure qui stimule le développement financier, va stimuler la croissance économique à travers l'accélération du progrès technique.

Abstract: The paper empirically analyzes the financial development (FD)-growth nexus, and the financial development-total factor productivity (TFP) link in sub-Saharan Africa. The study is based on a VAR approach: Johansen cointegration tests and error correction models. The sample includes 22 countries over the period from 1960 to 2002. Results suggest that FD and economic growth and, FD and TFP are cointegrated for many countries. Moreover, in many cases, the relationship between FD and growth is characterized by bidirectional causality in the Granger sense, whereas the relation between FD and TFP is characterized by a unidirectional causality running from FD to TFP. With few exceptions, it appears that financial development spurs economic growth in countries where that growth is supported by technological progress. The implication of the findings is that any reform that causes betterment in the financial sector will foster economic growth through a sharp increase in technological progress.

Do International Remittances Affect Poverty in Africa?

John C. Anyanwu and Andrew E.O. Erhijakpor

Abstract: International remittances flowing into developing countries are attracting increasing attention because of their rising volume and their impact on recipient countries. This paper uses a panel data set on poverty and international remittances for African countries to examine the impact of international remittances on poverty reduction in 33 African countries over the period 1990–2005. We find that international remittances—defined as the share of remittances in country GDP—reduce the level, depth, and severity of poverty in Africa. But the size of the poverty reduction depends on how poverty is being measured. After instrumenting for the possible endogeneity of international remittances, we find that a 10 percent increase in official international remittances as a share of GDP leads to a 2.9 percent decline in the poverty headcount or the share of people living in poverty. Also, the more sensitive poverty measures—the poverty gap (poverty depth) and squared poverty gap (poverty severity)—suggest that international remittances will have a similar impact on poverty reduction. The point estimates for the poverty gap and squared poverty gap suggest that a 10 percent increase in the share of international remittances will lead to a 2.9 percent and 2.8 percent decline, respectively, in the depth and severity of poverty in African countries. Regardless of the measure of poverty used as the dependent variable, income inequality (Gini index) has a positive and significant coefficient, indicating that greater inequality is associated with higher poverty in African countries, much in conformity with the literature. Similar results were obtained for trade openness. In the same vein, per capita income has a negative and significant effect on each measure of poverty used in the study. Our results also show that inflation rates positively and significantly affect poverty incidence, depth and severity in Africa. In all three poverty measures, the dummy variable for sub-Saharan Africa is strongly positive, and strongly negative for North Africa. The policy implications of these results are discussed.

Rural Poverty Dynamics and Impact of Intervention Programs upon Chronic and Transitory Poverty in Northern Ethiopia

Fredu Nega, Erik Mathijs, Jozef Deckers, Mitiku Haile, Jan Nyssen and Eric Tollens

Abstract: Using a three-year panel data set of rural households in the Tigray region of northern Ethiopia, we examine the dynamics of poverty and the impact of two intervention measures—the food for work (FFW) and the food security package (FSP) programs—upon poverty by disaggregating total poverty into its transient and chronic components. Poverty in the region is predominantly chronic. Results of matching estimators indicate that the FSP program has a significant negative effect on total and chronic poverty, but not on transient poverty. Households involved in the program have on average lower levels of total and chronic poverty than households not involved in the program. The FFW on the other hand does not significantly influence any of the three forms of poverty. Tertile regressions, however, reveal that the FFW benefits households

in the richest and the middle tertiles.

Constraints in Access to and Demand for Rural Credit: Evidence from Uganda

Paul Mpuga

Abstract: Like in most developing countries, Uganda's financial sector is largely underdeveloped and concentrated in urban areas, leaving the majority of the agricultural producers in the rural population with no access. However, agriculture forms a significant part of the lives of the rural households, who constitute about 85 per cent of the population. This study uses the Uganda household surveys conducted in 1992/93 and 1999/2000 to shed some light on access to, and the characteristics of demand for credit among the rural population. We employ the probit, tobit and multinomial logit model estimations and we analyse demand for credit and find that Uganda's credit market is highly segmented. The rural peasant producers are largely served by relatives/friends and self-help credit associations and their loan applications are less likely to succeed, and of those that do, smaller loans are granted. The educated and the young are more likely to demand credit while women are less likely to, and to apply for smaller loans. Therefore, while government's agricultural modernization policy considers credit as an important input to its success and as the government plans to roll out the 'wealth-for-all' programme, more needs to be done to get credit to the sector and to ensure that it can be usefully utilized. Programmes to promote skills and vocational training to enhance production and training in appropriate use of credit are also needed.

Trade Intensity and Business Cycle Synchronicity in Africa

Sampawende Jules-Armand Tapsoba

Abstract: Business cycle synchronicity, which is the key requirement for sharing a common currency, is not particularly strong within the prospective African monetary unions. However, this parameter is not irrevocably fixed and may be endogeneous vis-à-vis the integration process. For example, trade may increase the similarity of economic disturbances. This paper tests such an effect among the 53 African countries from 1965 to 2004. The estimated results suggest that trade intensity increases the synchronization of business cycles in the African context. The magnitude of the 'endogeneity effect' is, however, smaller than similar estimates among industrial countries.

Small Enterprise Growth and the Rural Investment Climate: Evidence from Tanzania

Tidiane Kinda and Josef L. Loening

Abstract: This paper analyzes characteristics of nonfarm enterprises, their employment growth patterns, and constraints in doing business in rural Tanzania. Using unique survey data, we describe a low-return sector struggling to compete in a challenging business environment. However, about one-third of rural enterprises are growing fast. Most enterprises engage in agricultural trade. Due to a rapidly growing agricultural sector in recent years, limiting demand-side constraints, rural enterprise constraints in Tanzania mainly operate from the supply-side, suggesting that in particular access to finance, road infrastructure and rural cell phone communication is associated with employment growth. A major finding is that subjective and objective measurements of business constraints are broadly comparable. We discuss a number of factors that would help to unleash the full potential of private sector-led growth in rural areas. Marginal improvements of the rural investment climate matter for growth.

African Education Challenges and Policy Responses: Evaluation of the Effectiveness of the African Development Bank's Assistance

Albert-Enéas Gakusi

Abstract: From marginal access to school before 1960, African modern education systems expanded steadily during the 1960s and 1970s, prompted by high priority given to education. The 1980s experienced stagnation and decline due to a drastic decrease in education financing further to the balance of payment and budget deficits, and the ensuing structural adjustment programmes. Since 1990, there have been intensified efforts to reverse the trend through national and international efforts. The African education sector continues to face serious challenges of low and inequitable access to education, irrelevant curriculum and poor learning outcomes, inadequate political commitment and financing, weak education system capacity, and weak link with the world of work. Drawing on relevant documents and data, the paper discusses briefly those challenges and the education policy measures taken to address them. It also assesses to what extent the Bank response was relevant and effective in addressing the African education challenges. While progress has been made in bringing more children to schools, the results in terms of quantity and quality have been far from the targets, particularly in sub-Saharan Africa. The paper concludes with a call for a greater effort to keep the promise for education for all and for quality education. This may require an invitation for a new forum on education to take stock and try again more

realistic policies and better defined means to effectively implement them. The forum's resolutions should not be limited to the primary education but consider the education sector as a whole in the context of a globalized economy and labor market.